

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 H-02 L-03 SEC-01

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R 071615Z JUL 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1222

INFO AMEMBASSY BERN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: CONGRESSIONAL INTEREST IN RECIPROCITY IN  
FOREIGN BANK ESTABLISHMENT

REF: STATE 157474

1. AMERICAN BANKS ARE FREELY LICENSED IN THE FRG. THEY  
ARE SUBJECT TO THE SAME REQUIREMENTS AS GERMAN BANKS AND  
THERE IS SUBSTANTIALLY NO DISCRIMINATION AGAINST THEM  
(SEE BONN A-397 OF AUGUST 5, 1974. PLEASE NOTE THAT THE  
EARLIER REPORT SUBMITTED IN BONN A-146 OF MARCH 18, 1974  
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IS SENSITIVE AND CLASSIFIED).

2. RECIPROCITY FOR GERMAN BANKS IN THE UNITED STATES HAS NOT BEEN AN IMPORTANT POSITIVE FACTOR IN PUTTING PRESSURE ON GERMAN AUTHORITIES FOR NON-DISCRIMINATORY TREATMENT OF U.S. BANKS IN THE FRG. TO A LIMITED EXTENT, HOWEVER, IT HAS BEEN A NEGATIVE FACTOR IN THE SENSE THAT THE LACK OF FULL RECIPROCITY IN THE US HAS BEEN USED AS AN ARGUMENT BY THOSE WHO WOULD LIKE TO CURTAIL THE FREE LICENSING OF US BANKS IN THE FRG. THESE CRITICS ARGUE THAT, EVEN ASIDE FROM THE DISCRIMINATION AGAINST FOREIGN BANKS IN MANY AMERICAN STATES, IT IS UNFAIR THAT US BANKS IN GERMANY ARE ALLOWED TO ENGAGE IN BRANCH BANKING THROUGHOUT THE COUNTRY AND IN ALL ASPECTS OF THE SECURITIES BUSINESS WHILE UNDER THE FRB BILL GERMAN BANKS IN THE US WOULD BE RESTRICTED TO ONE STATE AND NOT ALLOWED TO MIX THE COMMERCIAL BANKING AND SECURITIES BUSINESS. THESE CRITICS, WHICH INCLUDE HIGH BUNDESBANK OFFICIALS, ARGUE THAT BETWEEN TWO COUNTRIES HAVING AS DIFFERENT BANKING SYSTEMS AS THE US AND THE FRG, A SYSTEM OF RECIPROCALLY NATIONAL TREATMENT FOR EACH OTHER'S BANKS IS UNFAIR AND THAT THE FRG INSTEAD SHOULD SEEK STRICT RECIPROCITY IN THE SENSE THAT US BANKS SHOULD BE ALLOWED TO DO IN GERMANY ONLY EXACTLY WHAT GERMAN BANKS WILL BE ALLOWED TO DO IN THE US.

3. THE MAJORITY OF GERMAN BANKERS AND OFFICIALS REALIZES, HOWEVER, THAT SUCH A DEMAND IS IMPRACTICAL AND ARE WILLING TO SETTLE FOR THE GRANDFATHER CLAUSE IN THE PRESENT FRB DRAFT. IF THIS GRANDFATHER CLAUSE, HOWEVER, SHOULD BE DROPPED OR SUBSTANTIALLY RESTRICTED IN ANY BILL FINALLY ENACTED, GERMAN BANKS CAN BE EXPECTED TO FORCEFULLY RAISE THE RECIPROCITY ISSUE AND PRESS FOR RESTRICTIONS ON THE OPERATIONS OF US BANKS IN THE FRG.  
HILLENBRAND

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